

Utilization in Limited and Tiered Network Plans and the Health Care Needs of Children and Cancer Patients

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Acknowledgments

Kevin Beagan, Nancy Schwartz, and Maryanne Walsh, staff members in the Health Care Access Bureau and the Bureau of Managed Care within the Division of Insurance (“Division”) have prepared this report to respond to Section 33 of Chapter 288 of the Acts of 2010 and Section 3 of Chapter 61 of the Acts of 2012. For purposes of this report, staff relied on analysis performed internally and by outside consultants.

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Executive Summary

On August 10, 2010, Chapter 288 of the Acts of 2010 (“Chapter 288”) was enacted to provide certain protections and measures to promote cost containment within products offered to small groups and individuals. Among the features of Chapter 288, the Division of Insurance is directed under section 33 to develop annual reports on the relative utilization of care within limited and tiered network health plans in relation to utilization within similar full network products.

On March 23, 2012, Chapter 61 of the Acts of 2012 (“Chapter 61”) was enacted to provide certain protections to individuals insured under health plans with limited and tiered network health plans in the Commonwealth of Massachusetts. Among the features of Chapter 61, the Division of Insurance (“Division”) is directed under section 3 to review the network adequacy, cost and quality effectiveness of limited and tiered network health plans in relation to the health care needs of children and cancer patients.

The Division is undertaking an analysis of the extent of the hospital networks utilized by the health plans currently offered as limited and tiered network plans, but recognizes the need to do further analysis with other state agencies and stakeholders to understand the health care needs of children and cancer patients and the cost effectiveness and quality of these networks to meet those health care needs.

This report presents the status of the Division’s existing work and proposals for future consideration.

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Current Market Offerings

Massachusetts' health care coverage markets are dominated by insurance carriers that offer network-based products in which covered care can be coordinated through a network of providers that have contractually agreed to provide services to plan members according to the terms of carrier member agreements. These plans must comply with the requirements of M.G.L. c. 176O - the statute regulating managed care plans – and 211 CMR 52.00, as well as provisions explicitly associated with the product being offered.

There are three types of network-based-products:

- Closed-network plans - predominantly offered by Health Maintenance Organizations - cover non-emergency care services only when provided by network providers.
- Preferred-provider plans - offered by any insurance carrier - cover services with lower consumer cost-sharing (copayments, coinsurance or deductibles) when care is provided or arranged through a network of identified preferred providers.
- Participating-network plans - predominantly offered by Blue Cross and Blue Shield of Massachusetts, Inc. - offer covered members access to services to any health care provider who has contractually agreed to participate in the health plan, accept its rate of reimbursement and follow its administrative procedures.

Historically, Massachusetts' network products have had robust networks that include the vast majority of health care providers operating in Massachusetts.

Limited and Tiered Networks in Massachusetts

In response to employer groups' concerns with rising premiums and insurance carriers' recognition that there are different claims payment costs when consumers receive services from one group of providers rather than another, Massachusetts insurance carriers have developed new limited network or tiered network products over the past 10 years that are intended to promote less costly alternatives to their full-network products. As of April 2012, enrollment data reported to the Division indicates that approximately 28 percent of the small group/individual members were enrolled in a limited network or tiered network plan.

Limited

A limited provider network product offers covered persons access to a subset of the providers that are available from a carrier's main network of providers. The limited network may be a smaller network but it must still offer access to an adequate array of facilities and practitioners to provide the covered care or must provide access to out-of-

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network providers when a needed provider is not available within the limited network. When developing limited network products, carriers may provide a more limited choice of hospitals, providers or both.

The following chart illustrates the limited-network products available and offered to small employers and individuals as of the date of this report, the number of providers available in each network and the service area in which the products are available.

The networks available in the limited-network plans vary from the Steward products offered by Fallon Community Health Plan (“FCHP”) and Tufts Associated Health Maintenance Organization (“Tufts”) with access to 10 hospitals and approximately 1,900 physicians to the Harvard Pilgrim Health Care (“HPHC”) Focus Network product offering networks with access to 50 hospitals and approximately 16,000 physicians in HPHC’s Focus network.

Limited Provider Networks –In-Network Hospitals and Physicians

Carrier	Network	Hospitals	Physicians	Service Area
FCHP	Steward	10	1,900	Bris/Norf/Plym/Suff Counties; parts of Essx/Mdsx Counties
	Direct Care	24	14,200	Bris/Essx/Mdsx/Norf/Plym/Suff/Worc Counties
HPHC	Focus	50	16,000	Statewide, except for the Cape and Islands
Tufts	Select	27	5,400	Barn/Bris/Essx/Mdsx/Norf/Plym/Suff/Worc Counties
	Steward	10	1,900	Bris/Norf/Plym/Suff Counties; parts of Essx/Mdsx Counties

Limited network plans are not offered to residents and businesses located on the Cape and Islands; and with the exception of HPHC’s Focus network, western Massachusetts residents do not have access to these carriers’ limited provider networks. However, because Health New England’s service area is concentrated in Berkshire, Hampden, Hampshire and Franklin counties, residents of western Massachusetts have access to a health plan with a relatively limited provider network.

Tiered

A tiered provider network product offers covered persons access to a full network of providers, but allocates certain providers into “tiers.” Different levels of cost-sharing (i.e., copayments, coinsurance or deductibles) for care received from a provider at one tier versus another. When developing tiered network products, carriers may tier providers by hospital, specialist or primary care provider.

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Each of the tiered provider networks offered by the four major carriers – Blue Cross and Blue Shield of Massachusetts, Inc. (BCBS-MA), FCHP, HPHC and Tufts - place a majority of their acute care hospitals in the lowest cost sharing tier. Tiered network plans are offered throughout the state by almost all of the health plans. The Fallon Tiered Choice Product is only available in the western and central parts of Massachusetts.

In the four networks that tier physicians, over 70 percent of tiered physicians are in the lower or middle cost sharing tiers. The table below shows the distribution of providers within each of the tiered provider networks.

Tiered Provider Networks – Distribution of Providers

Carrier	Network	Provider Type	Provider Type	Distribution of Providers by Tier			Service Area
				Tier 1	Tier 2	Tier 3	
BCBS-MA	Options	PCPs and Hospitals	Hospitals	41 (59%)	16 (23%)	13 (19%)	Statewide
			PCPs	17%	73%	10%	
	Hospital Choice	Hospitals		58 (83%)	12 (17%)	N/A	Statewide
FCHP	Tiered Choice	PCPs and Hospitals	Hospitals	10 (63%)	3 (19%)	3 (19%)	Berk/Hmdn/ Hmsh/Worc Counties
			Physicians	32%	65%	3%	
HPHC	Hospital Prefer	Hospitals		33 (50%)	22 (33%)	11 (17%)	Statewide
	Choice Net ¹	Hospitals and Physicians	Physicians	40%	35%	25%	Statewide
Tufts	Your Choice	Hospitals and Physicians	Hospitals	45 (64%)	3 (4%)	22 (31%)	Statewide
			Physicians	40%	35%	25%	

Tiered network plans are offered throughout the state by almost all of the health plans. The Fallon Tiered Choice Product is only available in the western and central parts of Massachusetts.

¹ ChoiceNet uses the same hospital tiering as HPHC's Hospital Prefer provider network.

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Concerns about Limited and Tiered Network Products

The introduction of limited and tiered provider networks has created another path for employers and individuals to ameliorate cost increases in a more strategic fashion by lowering premiums without necessarily increasing cost sharing. There is a concern, however, that limited and tiered provider network plans will impact access to quality care, especially for those with special needs.

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Chapter 288

Chapter 288ⁱ made significant changes to the market for small group/nongroup health insurance coverage. Among these changes, section 33 enacts section 11 of M.G.L. c. 176J applying to the offer of limited-network and tiered-network plans in Massachusetts. With the enactment of this section, carriers covering at least 5,000 members in the small group/nongroup market are required to offer either a limited-network or tiered-network product where the premium charged is at least 12 percent lower than the premiums charged for the carrier's full-network product. Section 11 also establishes contracting and disclosure standards. The Division promulgated 211 CMR 152.00 to implement the rules that apply to the offer of limited-network and tiered-network products.

In addition to the above, M.G.L. c. 176J, §11(g) directs the Division as follows:

The division of insurance shall report annually on utilization trends of eligible employers and eligible individuals enrolled in plans offered under this section. The report shall include the number of members enrolled by plan type, aggregate demographic, geographic information on all members and the average direct premium claims incurred, as defined in section 6, for selective and tiered network products compared to non-selective and non-tiered products.

Staff within the Division's Health Care Access Bureau have coordinated the process to design data collection instruments and filing instructions for carriers and received information reported for 2011 utilization on April 30, 2012. In this, the first year of reporting information, staff have needed to work closely with reporting carriers to question the accuracy of the reported information and obtain corrected information that presents a clearer picture of utilization in each limited-network plan and tiered-network plan for comparison with utilization reported for carriers' full-network plans.

Staff is close to completing its validation of the reported information and are planning to complete its 2011 report in the first quarter of 2013. The Division expects that the work done with carriers to validate the 2011 data will facilitate future reports and streamline the time necessary to complete a report based on 2012 utilization.

Chapter 61

Chapter 61ⁱⁱ makes further changes to those M.G.L. c. 176J provisions associated with limited-network and tiered-network plans. Section 1 creates section 11A of M.G.L. c. 176J which establishes continuation of coverage requirements for certain patients enrolled in limited-network and tiered-network products. Those patients with a serious disease and who were in an active course of treatment with a pediatric hospital, pediatric

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specialty unit or a comprehensive cancer center prior to enrollment in a limited-network or tiered-network product have certain rights to continued access to their current provider, where it would be an undue burden for the insured to switch to another provider. The Division promulgated 211 CMR 153.00 effective July 12, 2012 to implement the rules that apply to continuity of coverage for affected patients.

In addition to the changes created under section 1, section 3 of Chapter 61 directs the Division as follows:

Notwithstanding any general or special law, rule or regulation to the contrary, the division of insurance shall conduct a review of the network adequacy and cost and quality effectiveness of insurance products under section 11 of chapter 176J of the General Laws for the health care needs of children and the health care needs of cancer patients, and shall submit a written report to the house and senate committees on ways and means and the joint committee on health care financing not later than December 31, 2012. The division shall also adopt regulations to address health plan network adequacy, including access to pediatric and cancer services.

The Division is aware that it does not have the information necessary to complete the above-noted report and will need to do additional work with external consultants and stakeholders to study the following:

- a) Health care needs of children
 - i. Networks adequate to meet health care needs of children
 - ii. Evaluation of the adequacy of the provider networks within limited-network products to meet the health care needs of children
 - iii. Evaluation of the cost and quality effectiveness of the limited –network products to meet the health care needs of children
- b) Health care needs of cancer patients
 - i. Networks adequate to meet health care needs of cancer patients
 - ii. Evaluation of the adequacy of the provider networks within limited-network products to meet the health care needs of cancer patients
 - iii. Evaluation of the cost and quality effectiveness of the limited –network products to meet the health care needs of cancer patients

The Division has examined the networks of each of the limited-network and tiered-network products marketed in Massachusetts and can report on which comprehensive care cancer centers, pediatric hospitals and pediatric specialty units are included in the networks of each product. This information is included in Appendix A. The Division will use this information to examine the adequacy of each network after it completes additional work to evaluate the health care needs of children and cancer patients.

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Proposed Work Plan to Respond to Chapters 288 and 61

The Division intends to address the work identified in Chapters 288 and 61 in three stages and to assemble persons from state agencies and provider organizations to work on certain elements of the required reports.

STAGE 1: Chapter 288 Utilization Report

Date	Action Steps
April 2012	Collect carriers' utilization data
May-December 2012	Validate and correct reported data
January 2013	Draft report on Chapter 288 utilization data
May 2013	File Chapter 288 utilization report with Legislature

STAGE 2: Study on Networks in Limited and Tiered Network Products

Date	Action Steps
May 2012	Contract w/consultant to study provider networks in limited-network and tiered-network plans
May-December 2012	Meet with consultant on network study
February-March 2013	Draft report on provider networks
May 2013	File provider network report with Legislature

STAGE 3: Evaluation of Networks Meeting Health Care Needs

Date	Action Steps
May 2013	Identify members of groups to look into the health care needs of cancer patients and children
June 2013	Convene first meeting of group
July 2013	Convene second meeting of group
August 2013	Convene third meeting of group
September 2013	Develop needs guidelines with working groups
September-November 2013	Evaluate limited-network and tiered-network products' adequacy, cost and effectiveness
December 2013	Draft report on provider networks with working groups
December 31, 2013	File Chapter 61 report with Legislature

ⁱ See An Relative to Tiered and Selective Network Health Plans, *available at* <http://www.malegislature.gov/Laws/SessionLaws/Acts/2010/Chapter288>

ⁱⁱ See An Act to Promote Cost Containment, Transparency and Efficiency in the Provision of Quality Health Insurance for Individuals and Small Families, *available at* <http://www.malegislature.gov/Laws/SessionLaws/Acts/2012/Chapter61>

Appendix A
Cancer Center and Pediatric Specialty Facilities –
Tier Placement and Participation in Limited Networks
as of December 31, 2012

Facility	Tiered Network Products				Limited Networks	
	Tier 1	Tier 2	Tier 3	Not In-Network	In-Network	Not In-Network
Comprehensive Cancer Center						
Dana Farber Cancer Institute	1	3	1	1 ¹	3	2
Pediatric Hospital						
Children's Hospital Boston	0	1	4	1 ¹	3	2
Shriners Hospital – Boston	0	0	0	6 ¹	0	5
Shriners Hospital – Springfield	0	0	0	6 ¹	0	5
Pediatric Specialty Unit						
Floating Hospital @ Tufts Med Ctr	3	2	0	1 ¹	3	2
Nashoba Valley Medical Center	6	0	0	0	3	2
Mass Eye & Ear Infirmary	5	0	0	1 ¹	0	5

Regarding the comprehensive cancer centers,

- of the six tiered network products, Dana Farber is included in the lowest cost tier (*i.e.*, Tier 1) in Tufts' Your Choice Plan and is in the higher cost tiers in BCBS-MA's two and HPHC's two tiered network products. Dana Farber is not included in FCHP's Tiered Choice plans, but the service area for FCHP's plan is limited to central Massachusetts.
- of the five limited network products, Dana Farber is included in HPHC's Focus network, FCHP's Select Care and Steward's network products. It is not included Tufts' Select or Steward's network products.

Regarding the pediatric hospitals,

- of the six tiered network products, Children's is included is in the higher cost tier) in Tufts' Your Choice Plan, BCBS-MA's two and HPHC's two tiered network products. Children's is not included in FCHP's Tiered Choice plan, but the service area for FCHP's plan is limited to central Massachusetts.
- of the five limited network products, Children's is included in HPHC's Focus network, FCHP's Select Care and Steward's network products. It is not included Tufts' Select or Steward's network products.
- the Shriner's Boston and Springfield Hospitals are not in any of the tiered network or the limited network products.

¹ The service area for FCHP's tiered network plan is limited to central Massachusetts, so hospitals located outside of central Massachusetts are not included in the network.

Appendix A
Cancer Center and Pediatric Specialty Facilities –
Tier Placement and Participation in Limited Networks
as of December 31, 2012

Regarding the pediatric specialty units,

- of the six tiered network products,
 - Floating Hospital is in the lowest cost tier in Tufts' Your Choice Plan and BCBS-MA's two tiered network products; Floating Hospital is in the middle tier in HPHC's two tiered network products. Floating Hospital is not included in FCHP's Tiered Choice plan, but the service area for this plan is limited to central Massachusetts.
 - Nashoba Valley is in the lowest cost tier of all five tiered network products
 - Massachusetts Eye and Ear Infirmary is in the lowest cost tier in Tufts' Your Choice Plan, BCBS-MA's two tiered network products and HPHC's one tiered network product. Massachusetts Eye and Ear is not included in FCHP's Tiered Choice plan, but the service area for FCHP's plan is limited to central Massachusetts.
- of the five limited network products,
 - Floating Hospital is included in HPHC's Focus network, FCHP's Select Care and Steward's network products. It is not included in Tufts' Select or Steward's network products.
 - Nashoba Valley is in all of the limited network products
 - Massachusetts Eye and Ear Infirmary is not in any of the limited network products.